



# PRUDENTIAL SECURITIES LIMITED

## MONTHLY FINANCIAL MARKET RESEARCH REPORT

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### FOR THE MONTH ENDING **JULY 2023**

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## GOVERNMENT OF GHANA TREASURY BILL SECURITIES

The upward trend in interest rates for the Government of Ghana Treasury Bill securities continued in July, marking the fourth consecutive month since rates experienced a significant reduction in March. This increase was observed across all tenures with the yield on the 364-day bill reaching 30%, a level not seen since March 2023.

The yields on the 91-day and 182-day bills experienced a rise of 129 basis points (bps) and 135 bps respectively. This led to an increase in rates from 23.95% to 25.24% for the 91-day bill, and from 25.80% to 27.15% for the 182-day bill. Moreover, the interest rate on the 364-day bill climbed from 29.25% to 30.31%, reflecting a month-on-month increase of 105 bps.

The persistent rise of interest rates can be ascribed to the safe haven nature of GOG treasury bill securities, coupled with high inflation, which is expected to increase further due to the implementation of new taxes, increase in utility tariffs and anticipated upticks in fuel prices in the upcoming months.

See the table below for a summary of interest rates on the primary market as of July 2023.

Securities	Month Close	Month Open	Chg.	YTD
	31-07-2023	03-07-2023	Bps	%
91 Day Bill	25.2417	23.9540	↑128.77	-28.62
182 Day Bill	27.1475	25.7968	↑135.07	-24.55
364 Day Bill	30.3060	29.2546	↑105.14	-15.57

Source: Bank of Ghana

## Auction Results for July 2023

In July, investors submitted bids totaling GH¢11,629.41 million for Government of Ghana Treasury Bill securities. The government accepted GH¢11,533.22 million out of these bids, thus exceeding its total auction target of GH¢11,202.00 million by 2.96%, which is equivalent to GH¢331.22 million.

- The government accepted bids worth GH¢8,541.76 million for the 91-Day Bill, which accounted for 74.06% of the total bids accepted.
- The 182-day bill saw bids accepted amounting to GH¢1,958.65 million, representing 16.98% of the total bills accepted.
- Lastly, the government accepted bids for the 364-Day Bill worth GH¢1,032.81 million, accounting for 8.96%.

See the tables below for a breakdown of auction results

Date	Target Amount	Amount Tendered	Amount Accepted	(Under)/Over Subscription
	GH¢ mil	GH¢ mil	GH¢ mil	GH¢ mil
03-07-23	2,913.00	2,393.24	2,393.24	(519.76)
10-07-23	1,575.00	2,068.51	1,979.94	+404.94
17-07-23	1,778.00	2,126.22	2,126.22	+348.22
24-07-23	2,654.00	2,699.38	2,699.05	+45.05
31-07-23	2,282.00	2,342.06	2,334.77	+52.77
<b>TOTAL</b>	<b>11,202.00</b>	<b>11,629.41</b>	<b>11,533.22</b>	<b>+331.22</b>

Source: Data compiled from the Bank of Ghana

**FOREX MARKET**

On the forex market, the Ghana cedi maintained its stability against the US Dollar, however, weakened against the British Pound Sterling and the Euro.

The cedi maintained its stability against the US Dollar during the month. It closed at a trading price of GH¢11.00/USD, and a year-to-date loss of 22.1%. However, the cedi's value depreciated by 16.03% against the British Pound. The cedi finished June with a trading price of GH¢14.15/£, compared with GH¢13.99/£ at the start of the month, increasing its year-to-date loss from 26.28% in June to 27.12%.

In addition, the cedi depreciated against the Euro by 11.99% month-on-month (m/m) to close at a trading price of GH¢12.13/€, compared with GH¢12.01/€ at the start of the month, increasing its year-to-date loss from 23.83% in June to 24.59%.

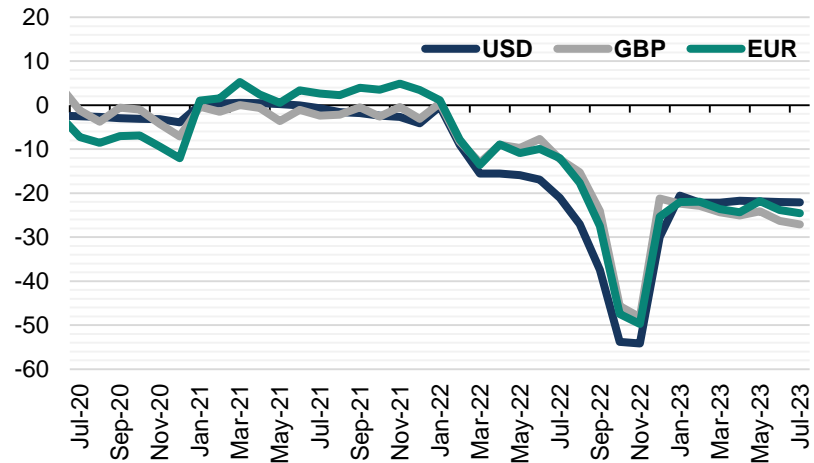
See the table below for a summary of the Interbank FX rates.

**BOG Midrate**

Currency Pair	Year Open	Month Close	Month Open	M/M % Chg.	YTD %
USD/GH¢	8.58	11.0034	10.9972	↓ 0.62	↓ 22.06
GBP/GH¢	10.31	14.1482	13.9879	↓ 16.03	↓ 27.12
EUR/GH¢	9.15	12.1272	12.0073	↓ 11.99	↓ 24.59

Source: Bank of Ghana

**Performance of Ghana Cedi Vs Major Trading Pairs (Year-To-Date)**



Source: Data compiled from the Bank of Ghana

**Highlights of Global Currency Pairs**

Currency Pair	Current Value	1 Month Chg. (%)	3 Months Chg. (%)	YTD (%)
Euro/US\$	1.10	0.8	1.2	2.7
Euro/GBP	0.86	-0.3	-2.3	-3.2
US\$ /GBP	0.78	-1.0	-2.1	-5.9
US\$ / Canadian \$	1.32	-0.4	-2.7	-2.7
US\$/Yen	142.29	-1.4	4.4	8.5

Source: Bloomberg & Invesco

## GHANA STOCK MARKET

On the stock market, the GSE-Composite Index remained in a positive trajectory as price appreciation in stocks such as MTNGH, TOTAL, and GGBL kept the index in a positive trend.

The GSE-CI, which measures the performance of all listed stocks on the Ghana Stock Exchange, increased by 168.74 points m/m from 2,808.03 points in June to 2,976.77 points. This resulted in a significant improvement in its year-to-date returns, surging from 14.90% in June to 21.80% in July.

On the other hand, the GSE-Financial Stock Index, which measures the performance of the 12 financial stocks listed on the bourse, experienced a marginal increase of 23.26 points, from 1,691.91 points in June to 1,715.17 in July. This led to a reduction in its year-to-date loss from 17.57% in June to 16.44% in July.

The market capitalization of the local bourse increased from GH¢70,238.82 million in June to GH¢ 72,075.71 million during this period, indicating a m/m gain of GH¢1,836.89 million. Consequently, the year-to-date returns for the market capitalization increased from 8.89% in June to 11.73% in July.

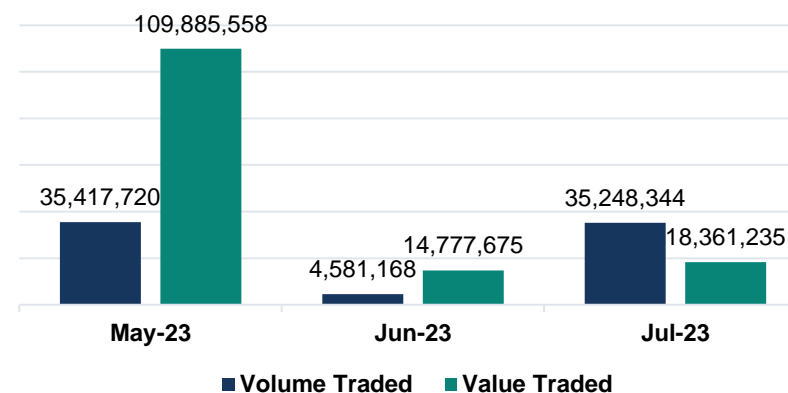
### Volume and Value Traded

The volume of shares traded on the Ghana Stock Exchange in July improved compared to the previous month.

A total of 35,248,344 shares were exchanged, valued at GH¢18,361,235. This represents an increase of 669.42% in volume trades and a corresponding increase of 24.25% in value compared to June's trading activity.

In June, a total of 4,581,168 shares were traded, with a total value of GH¢14,777,675.

The diagram below shows a graphical representation of volume and value trades for July 2023.



	1 month (%)	3 months (%)	1 Year (%)	2 Years (%)
GSE-CI	+6.01	+8.58	+18.18	+9.55
GSE-FSI	+1.37	-2.45	-18.46	-9.26

	JUNE 2023	JULY 2023	YTD
GSE-CI	2,808.03	2,976.77	+21.80%
GSE-FSI	1,691.91	1,715.17	-16.44%
Market Cap (GH¢m)	70,238.82	72,075.71	+11.73%
Volume Traded	4,581,168	35,248,344	-
Value Traded (GH¢)	14,777,675	18,361,235	-

In July, Benso Oil Palm Plantation stock (BOPP) maintained its position as the top gainer on the Ghana Stock Exchange with a year-to-date (YTD) return of 83.01% and a trading price of GH¢14.00 per share.

TOTAL Ghana stock (TOTAL), MTNGH and Unilever (UNIL) followed with a YTD return of 70.00%, 62.50% and 60.82% respectively. Guinness Ghana Breweries Ltd (GGBL) moved to fifth position on the gainers' table after its share price increased from GH¢2.05p to GH¢2.80p, representing a year-to-date return of 36.59%.

The table below shows the top 5 gainers in July.

**Top Gainers (July 2023)**

Stocks	Price (GH¢)	Year-To-Date
BOPP	14.00	+83.01%
TOTAL	6.80	+70.00%
MTNGH	1.43	+62.50%
UNIL	6.24	+60.82%
GGBL	2.80	+36.59%

Source: Data compiled from the Ghana Stock Exchange

Concerning the laggards, Fan Milk stock (FML) led the losers with the highest YTD loss of 56.00% and a trading price of GH¢1.32 per share.

SIC Insurance Company (SIC), Standard Chartered Bank GH (SCB), Societe Generale Ghana (SOGEGH) and Enterprise Group Ltd (EGL) followed with YTD losses of 35.448%, 33.04%, 27.00% and 24.69%.

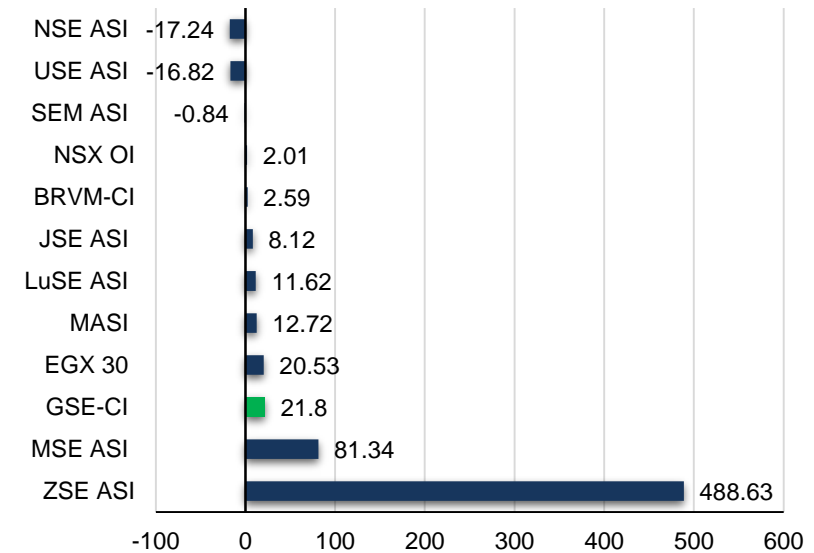
The table below shows the top 5 losers in July.

**Top Losers (July 2023)**

Stocks	Price (GH¢)	Year-To-Date
FML	1.32	-56.00%
SIC	0.20	-35.48%
SCB	13.50	-33.04%
SOGEGH	0.73	-27.00%
EGL	2.41	-24.69%

Source: Ghana Stock Exchange

**GSE-CI Vs Some Selected African Stock Market Indices**



## COMMODITY MARKET

### Crude Oil (Brent)

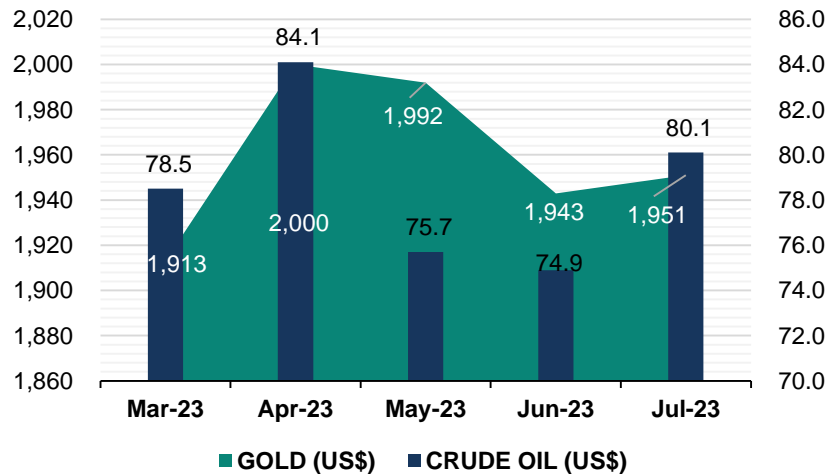
Prices of Brent Crude oil trended upward in July due to oil production cuts by Russia and Saudi Arabia.

Brent crude oil prices increased by 6.94% m/m, from \$74.9 per barrel in June to \$80.1 per barrel.

### Gold

Gold prices surged in July on a weaker dollar and hope that the U.S. Federal Reserve might soon halt its interest rate hiking cycle.

The price of Gold rose marginally by 0.41% m/m, from US\$1,943 per ounce in June to US\$1,951 per ounce in July 2023.

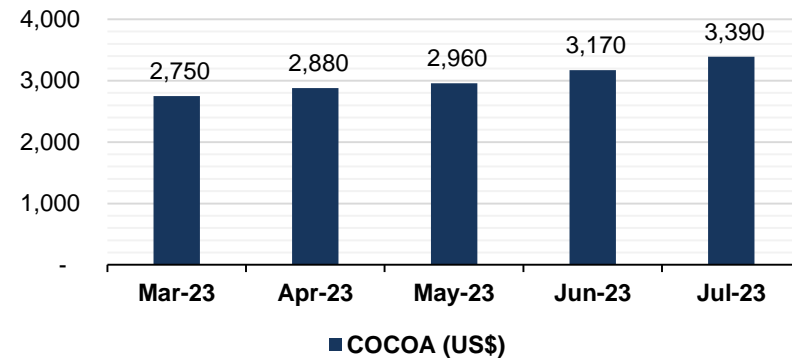


Source: World Bank Commodity Market

### Cocoa

The price of cocoa beans increased for the fifth consecutive month since March 2023. This increase is primarily attributed to bad weather conditions in West Africa, which posed a threat to the production of cocoa suppliers in the region.

Prices of Cocoa beans increased by 6.94% from US\$3,170 per ton in June to US\$3,390 per ton in July 2023.



Source: World Bank Commodity Market

See the table below for the monthly average prices of other commodities.

Commodity	May-23 (US\$)	Jun-23 (US\$)	July-23 (US\$)
Crude Oil, WTI (\$/bbl)	71.6	70.2	76.4
Soybeans (\$/mt)	595	592	634
Maize (\$/mt)	268.1	266.9	242.4
Sugar, World (\$/kg)	0.56	0.54	0.52

## HIGHLIGHTS OF INTERNATIONAL MARKETS

### Europe

In July, European stock markets finished on a positive note, supported by a decline in inflation and robust economic growth figures, which drove equity prices upward. Among various sectors, consumer discretionary and energy exhibited strong performance, while utilities and information technology sectors weighed down on returns.

In the Eurozone, the inflation rate for July was 5.3%, marking a decline from June's inflation of 5.5%. This decrease in inflation was mainly driven by a drop in energy prices and a moderation in the inflation rates of food, alcohol, and tobacco.

### The UK

The UK stock market closed on a positive trajectory, driven by positive corporate earnings and inflation figures that exceeded expectations.

The inflation rate in the UK saw a decline in June, reaching 7.9% as compared to the 8.7% recorded in May. This figure marked the lowest level since March 2022 and was primarily influenced by the decrease in fuel prices.

### The US

All three prominent US stock indices – the S&P 500, NASDAQ, and Dow Jones finished on an upward trajectory. The optimism stemmed from lower-than-anticipated inflation figures, fostering the belief that the Fed was nearing a peak in its cycle of interest rate tightening.

Also, the US announced its second-quarter GDP growth rate, which stood at 2.4% on a quarter-on-quarter basis. This figure surpassed the initial projection of 1.8% and also exceeded the 2.0% reported in the first quarter. The market's positive reception of this news

underscored the fact that the US had achieved a more robust economic growth rate than anticipated, despite the Federal Reserve's ongoing campaign of raising interest rates.

### Asia

Asian equity markets posted robust returns, predominantly driven by gains in China. The improvement in China's equity sector was underpinned by the government measures like easing the policy rate and market stimuli aimed at boosting domestic demand and consumption.

On the Chinese stock market (China SE Shanghai Composite), there was a significant rise, particularly within consumer discretionary stocks and materials sectors, which played a key role in driving the overall gains.

Indian equity markets rose over the month as the economy continued to show signs of resilience. The Mumbai Sensex 30 index was positive, with equity markets responding well to global cues.

### Emerging Markets (EM)

Emerging market (EM) equities outperformed markets in the developed world in July. All regions posted positive gains with performance in the emerging Middle East led by Turkey, Asia driven by China and Africa led by South Africa.

Latin America markets were led by Brazil, Chile, Mexico and Argentina all finishing strong in July. Brazilian equity markets remained resilient supported by gains in materials and energy.

In Africa, South African equity markets were amongst the top performers with strong sector performances from financials and materials.



**HIGHLIGHTS OF GLOBAL EQUITY INDEX PERFORMANCE**

INDEX	1 Month %	3 Month %	YTD %
<b>US</b>			
DOW JONES	3.4	4.9	8.5
S&P 500	3.2	10.5	20.6
NASDAQ	4.1	17.6	37.7
RUSSELL 2000	6.1	13.7	14.7
<b>UK</b>			
FTSE All-Share	2.6	-1.3	5.2
FTSE 100	2.3	-1.4	5.5
FTSE 250	4.1	-0.6	3.5
<b>EUROPE</b>			
MSCI Europe	2.0	2.0	13.9
CAC 40	1.4	1.9	19.0
DAX	1.9	3.3	18.1
<b>ASIA</b>			
Hong Kong HS	7.2	3.2	4.2
China SE	4.1	1.3	9.1
Singapore Times	5.2	4.3	6.5
Korean	2.7	5.5	18.2
Taiwan	2.4	12.7	24.6

Source: Bloomberg &amp; Invesco

**AFRICA BUSINESS MARKET NEWS****Fitch Revises Kenya's Outlook to Negative; Affirms at 'B'**

Fitch Ratings has revised the Outlook on Kenya's Long-Term Foreign-Currency Issuer Default Rating (IDR) from Stable to Negative, affirming the IDR at 'B'. The revision to Negative is due to heightened external financing challenges amid high funding demands, a weakening of international reserves, rising financing costs, and fiscal trajectory uncertainty. These issues are balanced by Kenya's commitment to fiscal consolidation guided by the IMF programme and strong medium-term growth prospects.

**Weakening naira dents profits in Nigeria**

Financial reports released by some of Nigeria's largest publicly traded companies reveal that despite an increase in revenues, the diminishing value of the naira is eroding profits.

The central bank of Nigeria has been directed to cease maintaining an artificially high exchange rate. This policy shift led to the naira losing nearly half of its value against the US dollar on official markets since June.

Furthermore, the decline in global oil prices has contributed to a reduction in foreign exchange inflows for Nigeria. This has consequently led to a broader decrease in foreign direct investment (FDI), creating additional strain on the value of the naira.

As a consequence of these combined factors, the naira is under considerable pressure, impacting both corporate profits and the nation's economic stability.

**Malawi inflation eases to 27.3%**

Malawi's inflation rate decreased from 29.2 percent in May to 27.3 percent in June due to an ease in food prices. According to the National Statistical Office (NSO), food inflation declined from 37.9 percent to 37.2 percent. Non-food inflation for June stood at 16.0 percent from 18.4 percent.

**LOCAL BUSINESS / ECONOMIC NEWS****July inflation hits 43.1%**

Ghana's inflation rate increased by 0.60 percentage points from 42.5% in June to 43.1% in July.

According to the Ghana Statistical Service, food and non-alcoholic beverages were the main drivers for the increase in July's inflation rate.

**Mid-Year Fiscal Policy Review: Key macroeconomic targets for 2023**

The government set out to achieve the following key macroeconomic targets for 2023:

- a. Overall Real GDP growth of 2.8 percent;
- b. Non-Oil Real GDP growth of 3.0 percent;
- c. End-December inflation rate of 18.9 percent;
- d. Overall budget deficit of 5.9 percent of GDP (on commitment) and 7.7 percent on a cash basis;
- e. Primary Balance (Commitment basis) of a surplus of 0.7 percent of GDP and deficit of 1.1 percent of GDP on a cash basis; and
- f. Gross International Reserves to cover not less than 3.3 months of imports.

**Second Round of Domestic Debt Exchange Programme**

- **Government launches a dollar-denominated Domestic Debt Exchange Programme (DDEP)**

The government has introduced a dollar-denominated DDEP aimed at exchanging US\$ 809 million worth of denominated notes and bonds. This serves as a continuation of the Domestic Debt Exchange Programme (DDEP) initiated in December 2022. Its purpose is to support the government's efforts in effectively managing its public debt.

- **COCOBOD invites cocoa bills holders for voluntary debt exchange**

The Ghana Cocoa Board (COCOBOD) has invited holders of its short-term debt securities, known as cocoa bills, to participate in an exchange program where they can convert their holdings into longer-term debt securities.

- **The Chamber of Corporate Trustees shows interest in Domestic Debt Exchange Programme (DDEP)**

The Chamber of Corporate Trustees has shown its readiness to participate in the alternative DDEP offered by the Government of Ghana. The Trustee's announcement comes on the back of an earlier notice by the Ministry of Finance for the restructuring of GH¢31 billion pensions funds in the second phase of its DDEP. The restructuring of the second phase of the DDEP will affect the Energy Sector Levy Act (ESLA) Plc and Daakye Trust Plc.

It is hoped that the restructuring of the bonds held by pension schemes will contribute to the recovery of the local economy.

**Bank of Ghana increases policy rate to 30%**

The Central Bank increased the Monetary Policy Rate (MPR) by 50 bps from 29.5% to 30% on the back of uncertainty in the world economic outlook and the threat of rising inflation in both the global and local economies.

**Bank of Ghana posts GH¢60.81bn losses in its 2022 Financial Year statement**

The Bank of Ghana had a loss of GH¢60.81 billion for the 2022 financial year compared to a profit of GH¢1.23 billion recorded in the 2021 financial year.

The losses were due to the impairment of the Government of Ghana's securities holdings of GH¢48.45 billion which was affected by the DDEP, the impairment of loans and advances granted to Quasi-government and financial institutions amounting to GH¢6.12 billion, and the depreciation of the local currency resulting in net exchange loss of GH¢5.27 billion.

**Bank of Ghana to restore its capital to a positive territory**

The Central Bank has assured the public that there is a plan in place to restore its stated capital to positive territory after it reported a negative loss of GH¢60 million in its 2022 annual report, which was primarily caused by the Domestic Debt Exchange program. It also highlighted that there is an ongoing discussion with the International Monetary Fund regarding the need for recapitalizing the central bank.

**Bank of Ghana to provide support for Savings and Loans companies in resolving their high NPLs**

The Bank of Ghana (BoG) has provided reassurance to savings and loan companies, ensuring their support in resolving non-performing loans (NPLs).

Savings and loan companies in the country have received assurances from the central bank that steps will be taken to resolve difficulties with Non-Performing Loans (NPLs) and high-interest rates which may sooner or later threaten the stability of the sector.

**Ghana's public debt stock hits GHS 569.3bn**

As of April 2023, Ghana's public debt has reached GHS 569.3 billion, which indicates a significant increase of GHS 134.7 billion since January 2023. In dollar terms, the total debt stock amounts to US\$52 billion. This increase represents approximately 71.1 percent of the country's Gross Domestic Product (GDP).

The primary reason for the surge in the debt stock can be attributed to the depreciation of the cedi during the specified period, which led to an escalation in the overall debt level.

**CONCLUSION / RECOMMENDATION**

On the primary market, trade in the Government of Ghana treasury bill is expected to remain high, however, we do not expect the government to meet auction targets above GH¢3 billion. Also, we expect the interest rate on GOG securities to exhibit marginal increases for the coming month as inflation resumes its upward trend.

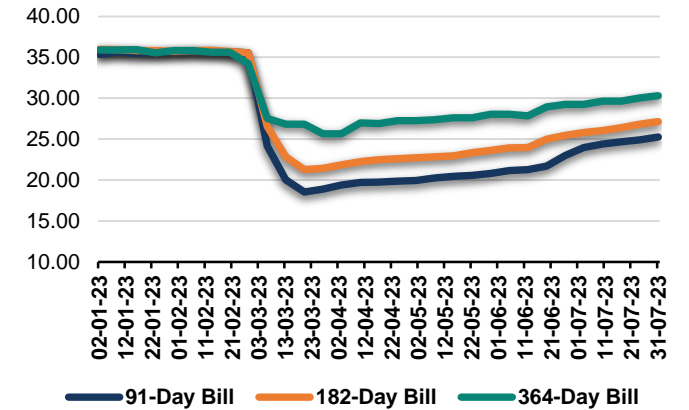
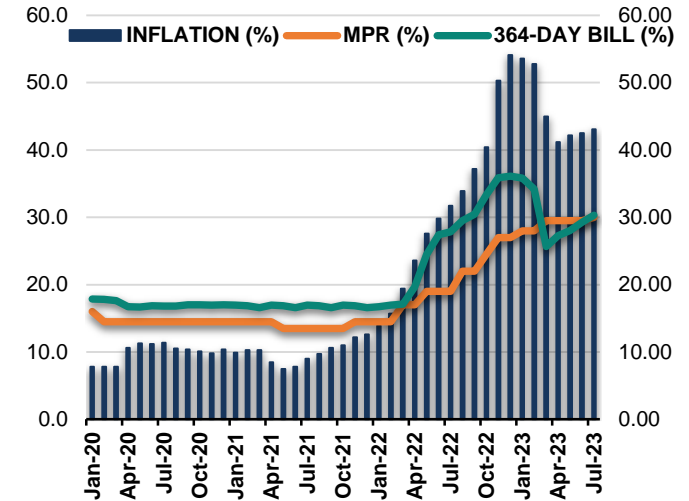
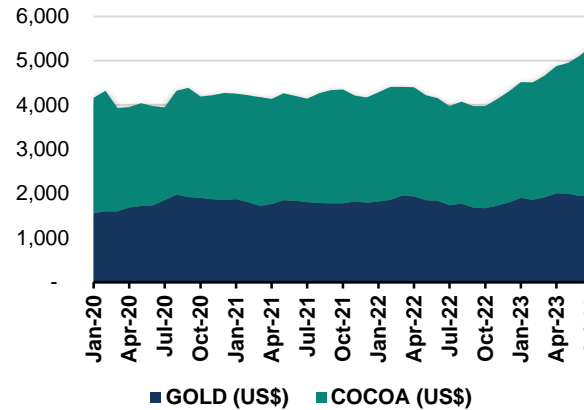
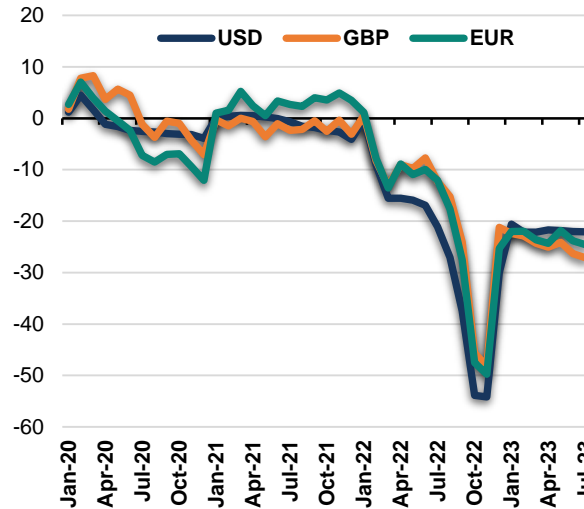
We do not expect much development in the stock market, as both indices are still expected to exhibit mixed performances on the capital market. We expect the GSE-Composite Index to stay positive while the GSE-FSI is expected to remain negative.

On the forex exchange market, we anticipate that the value of the cedi will continue to remain relatively stable against the US Dollar.

We suggest that investors consider subscribing to the 364-Day Bill. Investors can also stay short by investing in repos and 30 – 91 days fixed deposits with commercial banks.

## GHANA MACROECONOMIC HIGHLIGHTS

Indicators	Current	Previous	Chg.
GDP Growth Rate (%)	1.1	0.8	0.3
GDP AGR (%)	4.2	3.2	1.0
Inflation (%)	43.1	42.5	0.60
Monetary Policy Rate (%)	30.0	29.5	0.50
Unemployment Rate (%)	3.9	3.9	0.00
Gov't Debt to GDP (%)	88.8	79.6	9.20
Balance of Trade (US\$ mil)	-12.4	210	-222.40
Current Account (US\$ mil)	661	318	343.00
Current Account to GDP	-2.1	-3.2	1.10
Government Budget	-11.8	-12.1	0.30
Corporate Tax Rate (%)	25	25	0.00



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